

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

CHRONICLE BOOKS, LLC; HACHETTE BOOK  
GROUP, INC.; HARPERCOLLINGS PUBLISHERS  
LLC; MACMILLAN PUBLISHING GROUP, LLC;  
PENGUIN RANDOM HOUSE LLC; SCHOLASTIC  
INC.; AND SIMON & SCHUSTER, INC.

Plaintiffs,

v.

AUDIBLE, INC.,

Defendant.

No. 19 Civ. 7913 (VEC)

**REPLY MEMORANDUM OF LAW IN FURTHER  
SUPPORT OF DEFENDANT'S MOTION TO DISMISS**

Dated: September 24, 2019  
New York, New York

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### **PRELIMINARY STATEMENT**

Plaintiffs, as licensors, fail to state copyright infringement claims against Audible, their licensee. This pleading failure is not an affirmative defense that must await a later day: it is a defect apparent on the face of the complaint that warrants dismissal under established Second Circuit law.

Audible and each of the Plaintiffs are parties to license agreements for Plaintiffs' audiobooks. Plaintiffs admit that these license agreements exist. The agreements are directly at issue here, because this dispute arises from Audible's plan to introduce a new feature for those licensed audiobooks: Audible Captions, which uses speech-to-text transcription to generate audiobook captions from and for the licensed audiobooks to enhance listener comprehension. Plaintiffs do not allege that Audible Captions breaches their license agreements, however. Instead, they attempt to allege it infringes their copyrights. But the law is clear: before Plaintiffs can state this copyright claim, they must first plead how and why generating speech-to-text captions for the licensed audiobooks lies outside the scope of their audiobook licenses.

Plaintiffs fail to do so. In fact, Plaintiffs did not even attempt to meet this pleading requirement. Despite admitting that the license agreements exist, they did not attach them to their pleading, did not describe their terms, and did not allege how or why Audible Captions exceeds the scope of those terms. Yet Plaintiffs still insist that they state claims for copyright infringement. Under governing authority, both well-established and recently affirmed, their complaint does not state valid copyright claims.

Plaintiffs' opposition offers two main responses, both entirely insufficient:

*First*, Plaintiffs assure the Court that the audiobook license agreements "do not relate" to

Audible Captions and are “not the type of license” Audible needed, and thus cannot bar their copyright infringement claims. In other words, Plaintiffs are asserting that the audiobook licenses simply do not cover Audible Captions. But this is the precise issue—the *scope* of the license agreements—that Plaintiffs were required, but failed, to address in their pleading. Telling the Court in a brief to “just trust us” about this dispositive issue will not do and does not satisfy Plaintiffs’ burden.

*Second*, Plaintiffs argue that Audible is prematurely asserting an argument that must instead be lodged as an affirmative defense. Plaintiffs are wrong. The Second Circuit has made crystal clear that the *plaintiff* carries the burden of pleading here: where “the *existence* of a license is not in question,” to state an infringement claim “a copyright holder must plausibly allege that the defendant exceeded particular terms of the license.” *Yamashita v. Scholastic, Inc.*, —F.3d—, 2019 WL 4047513, at \*5 (2d Cir. Aug. 28, 2019) (emphasis in original). This holding is directly on-point here and requires dismissal of the Complaint.

It is not Audible’s burden to cure Plaintiffs’ pleading infirmities by identifying the contract terms that allegedly limit the scope of its license rights. To state a valid copyright claim, *Plaintiffs* were required to so plead. They did not, likely because of the politics and complexities of pleading contract claims on behalf of seven Plaintiffs, each bound by different license agreements with different substantive terms and confidentiality rules, all of which would undermine claims of irreparable harm (and likely diversity jurisdiction) against Audible. But Plaintiffs’ strategic choice cannot overcome their pleading failure, and the difficulty or inconvenience of those obligations is for them to address. The Complaint should be dismissed.

## ARGUMENT

### **1. Where the Parties’ Relationship Is Governed By a License, a Plaintiff Alleging Infringement Has the Burden of Proof and Must Plead the Specific License Terms Related to Allegedly Unauthorized Copying**

Plaintiffs’ opposition theory is that they do not need to allege that Audible Captions falls outside the scope of their audiobook licenses, because Audible must plead those licenses as an affirmative defense. This is not correct. Where, as here, the existence of the licenses is undisputed, it is Plaintiffs who bear the burdens of pleading and proof.

For decades, the Second Circuit has instructed copyright owners that they have waived the right to sue a licensee for copyright infringement unless, *inter alia*,<sup>1</sup> they prove that the licensee’s conduct exceeds the *scope* of the license. *See Graham v. James*, 144 F.3d 229, 236-37 (2d Cir. 1998) (holding that “when the contested issue is the *scope* of a license, rather than the *existence* of one, the copyright owner bears the burden of proving that the defendant’s copying was unauthorized under the license and the license need not be pleaded as an affirmative defense” (emphasis in original), citing *Bourne v. Walt Disney Co.*, 68 F.3d 621, 631 (2d Cir. 1995) (“in cases where only the scope of the license is at issue, the copyright owner bears the burden of proving that the defendant’s copying was unauthorized”)); *see Spinelli v. Nat’l Football League*, 903 F.3d 185, 197 (2d Cir. 2018) (same); *Tasini v. N.Y. Times Co., Inc.*, 206 F.3d 161, 171 (2d Cir. 2000) (“Where the dispute turns on whether there is a license at all, the burden is on the alleged infringer to prove the existence of the license. Where the dispute is only over the scope of the license, by contrast, the copyright owner bears the burden of proving that the defendant’s copying was unauthorized.” (internal citations omitted)).

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<sup>1</sup> As Audible noted (Dkt. No. 41 at 16-17), there is another potential exception when a licensee violates a condition precedent. Plaintiffs do not argue they satisfy this exception.

This doctrine is well established and was recently reiterated by the Second Circuit in detail in *Yamashita v. Scholastic*, 2019 WL 4047513, at \*5. In that case, Mr. Yamashita granted licenses to Scholastic through Corbis, his photography agency. *Id.* at \*1. He sued for copyright infringement of 82 specified photos, pleading detailed factual information including, *inter alia*, thumbnail copies of each photo allegedly infringed, the copyright registration number and date for each photo, the numbers and dates of the invoices Corbis issued to Scholastic, and the imprint within Scholastic that had purchased the related license. *Id.* at \*1-2. Mr. Yamashita pled that Scholastic had exceeded the terms of the licenses by printing and distributing the photos outside authorized distribution limits of quantity, time period, and geography. *Id.* at \*1-2. But Mr. Yamashita did not attach the license agreements to his complaint and did not identify the license terms that were violated. *Id.* at \*5. Scholastic—one of the plaintiffs here—successfully moved to dismiss the complaint for failure to state a claim under F.R.C.P 12(b)(6) (*id.* at \*4), without attaching the license agreements and without first stating an affirmative defense.

According to the Second Circuit, the case turned on “the implications of the fact, acknowledged in Yamashita’s Complaint, that Scholastic procured licenses to copy the Photographs.” *Id.* at \*5. It identified the central question of the case as follows: “whether, in pleading copyright infringement, a plaintiff who has authorized the licensed use of its work to the alleged infringer must allege with specificity facts concerning the limits and asserted breaches of the licenses by the alleged infringer.” *Id.* Answering this question affirmatively, the Court upheld dismissal of the case. *Id.*

The Second Circuit expressed sympathy for Mr. Yamashita, recognizing that he—unlike Plaintiffs here—faced pleading obstacles because he had no direct access to the relevant contracts, having licensed his work through an agent. *Id.* at \*6-7. Nonetheless, the Court



affirmed the dismissal of his case, because a plaintiff must “allege infringement with some specificity when the defendant’s possession of a license is undisputed.” *Id.* at \*6. Regardless of its sympathies, the Second Circuit was “not at liberty to relax the pleading requirements as we have previously applied them”; thus, where “the gravamen of the Complaint is that Scholastic violated Yamashita’s copyright by exceeding the use limits provided in the [license],” a complaint that specified neither the limits set nor the limits breached fails to state a claim. *Id.* at \*7.

As *Yamashita* makes clear, this doctrine is *not* an affirmative defense and the burden does not lie on defendant’s shoulders. The doctrine has been applied often and successfully by defendants moving to dismiss complaints, all of whom did not wait, and did not need to wait, until after they answered the complaint to successfully interpose their contracts as a bar to improperly pled infringement claims. *See, e.g., Nadav v. Beardwood & Co. LLC*, No. 17-CV-6465 (S.D.N.Y. Jan. 19, 2018) (Dkt. No. 24) (granting motion to dismiss copyright claim against licensee who had purchased nonexclusive, noncommercial license to use typeface); *Reis, Inc. v. Spring11 LLC*, 2016 WL 5390896, at \*7-8 (S.D.N.Y. Sept. 26, 2016) (granting motion to dismiss copyright claim against defendant whose employees had accessed plaintiff’s copyrighted material with credentials issued pursuant to a valid licensing agreement); *Reinhardt v. Wal-Mart Stores, Inc.*, 547 F. Supp. 2d 346, 353-55 (S.D.N.Y. 2008) (granting motion to dismiss because no dispute existed as to whether license existed, interpretation of the license was “generally a question of law” and “suitable for disposition on a motion to dismiss,” and court determined that defendants’ conduct fell within the scope of the license); *Ariel (UK) Ltd. v. Reuters Grp. PLC*, No. 05 CIV. 9646 (JFK), 2006 WL 3161467, at \*5 (S.D.N.Y. Oct. 31, 2006) (granting defendants’ motion to dismiss as licensees of the allegedly infringed software and holding that

“[e]ven though a defendant’s status as a valid licensee may be characterized as an affirmative defense... such defenses also may be raised by a pre-answer motion to dismiss under Rule 12(b)(6), without resort to summary judgment procedure, if the defense appears on the face of the complaint”) (internal citations omitted), *aff’d*, 277 F. App’x 43 (2d Cir. 2008); *Jasper v. Sony Music Entm’t, Inc.*, 378 F. Supp. 2d 334, 338 (S.D.N.Y. 2005) (granting licensee’s motion to dismiss copyright claims and considering underlying licensing agreements, not attached or quoted in the complaint, as incorporated by reference and essential to its allegations). As these numerous decisions granting motions to dismiss demonstrate, contrary to Plaintiffs’ arguments, Rule 8 notice pleading in this context requires a plaintiff-licensor to acknowledge the contract at issue and offer enough detail to plausibly plead that the alleged copyright claims are outside the scope of that contract.

Plaintiffs’ arguments here directly contradict the position Plaintiff Scholastic took before the Second Circuit earlier this year. (*See* Reisbaum Decl. Ex. A (Dkt. No. 39-1).) Plaintiffs in this case assert that placing the burden of proof on them “would change the elements of a copyright claim set forth by the Supreme Court to require a plaintiff to disprove the existence of a license any time the parties have any kind of contract between them, whether a license or not, to avoid this type of collateral attack.” (Opp. Br. (Dkt. No. 47) at 1-2.) Yet, Scholastic argued the exact opposite in *Sohm v. Scholastic Inc.*, 2018 WL 1605214 (S.D.N.Y. March 29, 2018), namely, that Sohm, the plaintiff, “cannot push his burden onto Scholastic,” the defendant:

If a plaintiff needed only to prove ownership and copying in order to state a claim, every licensee would theoretically be subject to an infringement suit the moment it used a work it had licensed and, irrespective of whether or not a license or other authorization existed. And, perhaps more egregiously, the licensee could be called upon ... not only show proof of its license, but to disprove that the license terms had been exceeded even where the plaintiff had not provided any evidence of wrongdoing. That is plainly not the case, nor should it be.

(Reisbaum Decl. Ex. A at 17-20.)

Scholastic got it right in *Sohm*. Audible is a licensee and it is not, and should not be, required to prove that its license terms have not been exceeded; the burden lies on Plaintiffs to provide the licenses and identify for the Court what terms have been exceeded.

## **2. Audible and Plaintiffs Are Undisputedly License Counterparties**

In this case, “the contested issue is the *scope* of a license, rather than the *existence* of one.” *Graham*, 144 F.3d at 236-37 (emphasis in original). There is no dispute of fact here: Audible has licenses for Plaintiffs’ audiobooks. Plaintiffs repeatedly acknowledge this fact: “Audible distributes audiobooks created by Publishers or by third parties with Publishers’ authorization.... Audible is a distributor of Publishers’ audiobooks....” Compl. ¶ 23; *see also* ¶ 38 (recognizing Audible’s “right to distribute audiobooks”); ¶ 41 (recognizing rights “approved by Publishers”). In their opposition brief, Plaintiffs readily and repeatedly acknowledge the licenses they granted Audible, characterizing them as “Publishers’ audiobook resale agreements with Audible.” (Opp. Br. at 1, 3, 7, 8, 10.)<sup>2</sup>

## **3. Plaintiffs Cannot Argue That Audible Is Exceeding the Scope of its Licenses Without Pleading the License Terms So That the Court Can Understand the Claim**

Because the existence of the audiobook licenses is not disputed, Plaintiffs were required to plead that Audible exceeded the scope—that is, the specific terms—of those licenses. They did not. Plaintiffs cannot cure that failure through rhetoric in a brief. Yet that is all they offer.

Plaintiffs’ arguments in opposition all boil down to the same fundamental, but unsubstantiated, claim: that Audible Captions exceeds the scope of the rights that Audible

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<sup>2</sup> Plaintiffs claim that Audible’s motion to dismiss impermissibly relies on citations to affidavits extrinsic to the Complaint. (Opp. Br. at 4.) This is incorrect. Plaintiffs pled and conceded the existence of their license agreements with Audible, *see* Compl. ¶¶ 23, 38, 41, and (as Audible makes clear in its notice of motion to dismiss (Dkt No. 40)), Audible does not rely for purposes of this motion on the numerous admissions in Plaintiffs’ affidavits confirming the point.

purchased in the audiobook licenses. Plaintiffs argue, for example, that “the audiobook resale agreements, as alleged, do not relate to Audible’s conduct in providing [Audible Captions]” and that “Publishers’ existing audiobook resale agreements do *not* authorize Audible to create and distribute [Audible Captions].” (Opp. Br. at 7-8.) These are simply conclusory assertions about the *scope* of these contracts. If Plaintiffs had attached those audiobook license agreements to the Complaint, or identified and pleaded the specific contract terms that they believe define the scope of Audible’s rights, and alleged how and why Audible Captions exceeds the scope of those contract terms, then they might have satisfied their pleading obligations. Indeed, that is how the *Spinelli* plaintiffs survived a similar motion to dismiss: they attached the various operative contracts to their Complaint, pleaded facts about the different contracts and the scope of particular contract terms, and pleaded exactly how the NFL exceeded the scope of its licensed rights, thereby permitting their infringement claims to proceed. *See Spinelli*, 903 F.3d at 193-197. Plaintiffs here did none of these things.

This warrants dismissal for exactly the reasons Mr. Yamashita lost his case: he failed to plausibly plead and specify the limits imposed by the governing licenses or how Scholastic breached those limits. *See Yamashita*, 2019 WL 4047513, at \*1, 6 (dismissing case; despite plaintiff’s detailed allegations, he failed to plead “the applicable limitations in Scholastic’s individual licenses so that it (and the court) can understand how Scholastic is alleged to have exceeded those licenses”); *Lefkowitz v. McGraw-Hill Glob. Educ. Holdings, LLC*, 23 F. Supp. 3d 344, 355 (S.D.N.Y. 2014) (conclusory allegations that publication of disputed works was “beyond the scope of the limited license” are insufficient to state a claim, citing cases).

Plaintiffs’ cited cases are distinguishable lower court decisions that pre-date *Yamashita*. In *Lefkowitz*, the decision and the electronic record make clear that the First Amended Complaint

included copies of the operative contracts, thus (as in *Spinelli*) substantiating plaintiff's claim that the license was exceeded. 23 F. Supp. 3d at 348, 353, *see* 13 Civ. 5023 (Dkt Nos. 38-2, 38-3, 38-5). And in *Young-Wolff v. McGraw-Hill School Educ. Holdings, LLC*, No. 13 Civ. 4372 (KMW), 2015 WL 1399702, at \*2-3 (S.D.N.Y. Mar. 27, 2015), defendants did not argue that their license agreements precluded the copyright infringement claims, the court did not address the issue in its decision, and plaintiff's detailed pleading specifically identified "four types of license restrictions that Defendants disregarded."

Here, the defect is the same: Plaintiffs' allegations regarding scope are entirely conclusory. Because Plaintiffs chose not to plead the specific terms of their various audiobook licenses, the Court cannot "understand" or evaluate Plaintiffs' assertion that Audible Captions—a speech-to-text generated feature generated from the licensed audiobooks—exceeds the scope of those audiobook licenses. *Yamashita*, 2019 WL 4047513, at \*6. It is in no way Audible's burden to cure Plaintiffs' pleading deficiencies. The case must be dismissed.

**CONCLUSION**

For the reasons stated herein and in Audible's moving brief, we respectfully request that the Court grant Audible's motion to dismiss.

Dated: September 24, 2019  
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